

| | | | |
|---------------------------------|--|-------------------------------|--|
| <i>SERFF Tracking Number:</i> | <i>HGAS-127342325</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>Arkansas Mutual Insurance Company</i> | <i>State Tracking Number:</i> | |
| <i>Company Tracking Number:</i> | <i>MEDMAL-001</i> | | |
| <i>TOI:</i> | <i>11.0 Medical Malpractice - Claims</i> | <i>Sub-TOI:</i> | <i>11.0023 Physicians & Surgeons</i> |
| | <i>Made/Occurrence</i> | | |
| <i>Product Name:</i> | <i>Product Coding Matrix Line of Business</i> | | |
| <i>Project Name/Number:</i> | <i>Physicians & Surgeons Rate Filing/ARMIC - 01 - RF</i> | | |

Filing at a Glance

Company: Arkansas Mutual Insurance Company

Product Name: Product Coding Matrix Line of Business SERFF Tr Num: HGAS-127342325 State: Arkansas

| | | |
|--|---------------------------------------|--|
| TOI: 11.0 Medical Malpractice - Claims | SERFF Status: Closed-Filed | State Tr Num: |
| Made/Occurrence | | |
| Sub-TOI: 11.0023 Physicians & Surgeons | Co Tr Num: MEDMAL-001 | State Status: |
| Filing Type: Rate | | Reviewer(s): Edith Roberts, Nancy Horton |
| | Authors: Sullivan Frank, Todd Dashoff | Disposition Date: 10/07/2011 |
| | Date Submitted: 07/28/2011 | Disposition Status: Filed |
| Effective Date Requested (New): 08/01/2011 | | Effective Date (New): |
| Effective Date Requested (Renewal): | | Effective Date (Renewal): |
| State Filing Description: | | |

General Information

Project Name: Physicians & Surgeons Rate Filing
 Project Number: ARMIC - 01 - RF
 Reference Organization:
 Reference Title:
 Filing Status Changed: 10/14/2011
 State Status Changed:
 Created By: Sullivan Frank
 Corresponding Filing Tracking Number:
 Filing Description:
 July 28, 2011

Status of Filing in Domicile:
 Domicile Status Comments:
 Reference Number:
 Advisory Org. Circular:

 Deemer Date:
 Submitted By: Sullivan Frank

Ms. Edith Roberts
 Arkansas Department of Insurance
 1200 West Third Street
 Little Rock, AR 72201

| | | | |
|---------------------------------|--|-------------------------------|--|
| <i>SERFF Tracking Number:</i> | <i>HGAS-127342325</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>Arkansas Mutual Insurance Company</i> | <i>State Tracking Number:</i> | |
| <i>Company Tracking Number:</i> | <i>MEDMAL-001</i> | | |
| <i>TOI:</i> | <i>11.0 Medical Malpractice - Claims</i> | <i>Sub-TOI:</i> | <i>11.0023 Physicians & Surgeons</i> |
| | <i>Made/Occurrence</i> | | |
| <i>Product Name:</i> | <i>Product Coding Matrix Line of Business</i> | | |
| <i>Project Name/Number:</i> | <i>Physicians & Surgeons Rate Filing/ARMIC - 01 - RF</i> | | |

Arkansas Mutual Insurance Company
Proposed Rate Change – Physicians and Surgeons

Dear Ms. Roberts:

At the request of my client, Arkansas Mutual Insurance Company ("the Company"), I am submitting to you the enclosed actuarial memorandum that we prepared for them, which describes a revision to their physician and surgeon rates of - 12.5%, with a proposed effective date of August 1, 2011. This change is based on a credibility weighted indication that uses the Company's limited loss experience along with the experience contained in the latest approved filing of State Volunteer Mutual Insurance Company (SVMIC).

An exhibit showing the proposed new rates has been included as an attachment to this filing.

Please don't hesitate to call if you have any questions concerning this filing.

Sincerely,

Ronald T. Kuehn, FCAS, MAAA, CPCU ARM, FCA
Consulting Actuary

Company and Contact

Filing Contact Information

| | |
|----------------------------------|-----------------------------------|
| Todd Dashoff, Consulting Actuary | todd.dashoff@hugginsactuarial.com |
| 111 Veterans Square | 610-892-1826 [Phone] |
| Second Floor | 610-892-1827 [FAX] |
| Media, PA 19063 | |

Filing Company Information

(This filing was made by a third party - hugginsactuarialservices)

| | | |
|-----------------------------------|-------------------------|-----------------------------|
| Arkansas Mutual Insurance Company | CoCode: 13565 | State of Domicile: Arkansas |
| 11300 North Rodney Parham Road | Group Code: | Company Type: Insurance |
| | | Company |
| Suite 220 | Group Name: | State ID Number: 4 |
| Little Rock, AR 72212 | FEIN Number: 26-2859106 | |
| (501) 716-9190 ext. [Phone] | | |

SERFF Tracking Number: HGAS-127342325 State: Arkansas
Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
Company Tracking Number: MEDMAL-001
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence
Product Name: Product Coding Matrix Line of Business
Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Filing Fees

Fee Required? Yes
Fee Amount: \$50.00
Retaliatory? No
Fee Explanation: \$50.00 is the stated required fee for this filing.
Per Company: No

| COMPANY | AMOUNT | DATE PROCESSED | TRANSACTION # |
|-----------------------------------|---------|----------------|---------------|
| Arkansas Mutual Insurance Company | \$50.00 | 07/28/2011 | 50168651 |

SERFF Tracking Number: HGAS-127342325 State: Arkansas

Filing Company: Arkansas Mutual Insurance Company State Tracking Number:

Company Tracking Number: MEDMAL-001

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons

Made/Occurrence

Product Name: Product Coding Matrix Line of Business

Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|--------|---------------|------------|----------------|
| Filed | Edith Roberts | 10/14/2011 | 10/14/2011 |

Objection Letters and Response Letters

| Objection Letters | | | | Response Letters | | |
|-------------------|---------------|------------|----------------|------------------|------------|----------------|
| Status | Created By | Created On | Date Submitted | Responded By | Created On | Date Submitted |
| Pending | Edith Roberts | 08/24/2011 | 08/24/2011 | Sullivan Frank | 08/29/2011 | 08/29/2011 |
| Industry | | | | | | |
| Response | | | | | | |

Amendments

| Schedule | Schedule Item Name | Created By | Created On | Date Submitted |
|---------------------|--|----------------|------------|----------------|
| Supporting Document | Impact Statement Letter - Act 649 | Sullivan Frank | 10/03/2011 | 10/03/2011 |
| Rate | REVISED FORM RF-1 Rate Filing Abstract | Sullivan Frank | 09/12/2011 | 09/22/2011 |
| Supporting Document | Form MMPCS | Sullivan Frank | 09/12/2011 | 09/22/2011 |
| Supporting Document | NAIC loss cost data entry document | Sullivan Frank | 09/12/2011 | 09/22/2011 |
| Supporting Document | Rate Data and Actuarial Support | Sullivan Frank | 09/12/2011 | 09/22/2011 |
| Supporting Document | Filing Memorandum | Sullivan Frank | 09/12/2011 | 09/22/2011 |

SERFF Tracking Number: HGAS-127342325 State: Arkansas

Filing Company: Arkansas Mutual Insurance Company State Tracking Number:

Company Tracking Number: MEDMAL-001

TOI: 11.0 Medical Malpractice - Claims Made/Occurrence Sub-TOI: 11.0023 Physicians & Surgeons

Product Name: Product Coding Matrix Line of Business

Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Disposition

Disposition Date: 10/07/2011

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

| Company Name: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where required): | Minimum % Change (where required): |
|--------------------------------------|-----------------------------------|---------------------------|--|---|---|--|--|
| Arkansas Mutual Insurance Company | -12.500% | -12.500% | \$-122,542 | 151 | \$980,339 | 15.900% | -12.700% |

SERFF Tracking Number: HGAS-127342325 State: Arkansas

Filing Company: Arkansas Mutual Insurance Company State Tracking Number:

Company Tracking Number: MEDMAL-001

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence

Product Name: Product Coding Matrix Line of Business

Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|--------------------------------------|---|----------------------|---------------|
| Supporting Document (revised) | Form MMPCS | Filed | Yes |
| Supporting Document | Form PROMAL | Filed | Yes |
| Supporting Document | Form PRONOT | Filed | Yes |
| Supporting Document (revised) | NAIC loss cost data entry document | Filed | Yes |
| Supporting Document | NAIC Loss Cost Filing Forms (all P&C lines) | Filed | Yes |
| Supporting Document | 3rd Party Authorization To File Letter | Filed | Yes |
| Supporting Document (revised) | Rate Data and Actuarial Support | Filed | Yes |
| Supporting Document (revised) | Filing Memorandum | Filed | Yes |
| Supporting Document | Response to 8 24 11 Dept Objections | Filed | Yes |
| Supporting Document | Form MMPCS | | Yes |
| Supporting Document | NAIC loss cost data entry document | | Yes |
| Supporting Document | Rate Data and Actuarial Support | | Yes |
| Supporting Document | Filing Memorandum | | Yes |
| Supporting Document | Impact Statement Letter - Act 649 | Filed | Yes |
| Rate | REVISED FORM RF-1 Rate Filing Abstract | Filed | Yes |

SERFF Tracking Number: HGAS-127342325 State: Arkansas
Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
Company Tracking Number: MEDMAL-001
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence
Product Name: Product Coding Matrix Line of Business
Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 08/24/2011
Submitted Date 08/24/2011
Respond By Date
Dear Todd Dashoff,

This will acknowledge receipt of the captioned filing.

Please reference Form PC RLC. The maximum rate increase is indicated at -12.9; however, page 4 of the filing under Company Rate Information indicates +15.9. Please explain.

Also on Form PC RLC, under Expense Constants, A. "Total Production Expense" is indicated at -139. Please explain how there is a negative production expense.

Please refer to AR Code Anno 23-67-505 (a)(b)(c)(d). Your report states that you relied on loss data for State Volunteer Mutual along with Arkansas Mutual. I had talked with company representatives prior to filing, that this law requires a combination of competitor loss data, rather than relying on one specific company. Also, please advise with reference to Exhibits 1,2 and 3, are these exhibits based on Arkansas Mutual solely, or State Volunteer solely, or a combination.

Please let us have your comments.

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

Sincerely,
Edith Roberts

SERFF Tracking Number: HGAS-127342325 State: Arkansas
Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
Company Tracking Number: MEDMAL-001
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence
Product Name: Product Coding Matrix Line of Business
Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Response Letter

Response Letter Status Submitted to State
Response Letter Date 08/29/2011
Submitted Date 08/29/2011

Dear Edith Roberts,

Comments:

We have provided answers to all of the Dept's questions in the attached document, "Arkansas Mutual - Response to 8 24 11 Dept Objections.pdf".

Response 1

Comments: See attached PDF "Arkansas Mutual - Response to 8 24 11 Dept Objections.pdf".

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Response to 8 24 11 Dept Objections

Comment: Please see attached document explaining our response to Dept Questions named: "Arkansas Mutual - Response to 8 24 11 Dept Objections".

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Thanks.

Sincerely,
Sullivan Frank, Todd Dashoff

Amendment Letter

SERFF Tracking Number: HGAS-127342325 State: Arkansas
 Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
 Company Tracking Number: MEDMAL-001
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
 Made/Occurrence
 Product Name: Product Coding Matrix Line of Business
 Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Amendment Letter

Submitted Date: 09/22/2011

Comments:

Pursuant to your email on 9/22/11, we are notifying you that the revised materials were sent to you via SERFF on 9/12/11. These changes appear on the sections labeled: "Rate/Rule Schedule" and "Supporting Documentation".

Changed Items:

Rate/Rule Schedule Item Changes:

| Exhibit Name: | Rule # or Page #: | Rate Action: | Previous State Filing Number: | Attach Document: |
|--|----------------------|-----------------|----------------------------------|---|
| REVISED FORM RF-1 Rate Filing Abstract | | Replacement | | REVISED FORM RF-1 Rate Filing Abstract.pdf |

Supporting Document Schedule Item Changes:

Satisfied -Name: Form MMPCS

Comment: Please see attached form MMPCS.

PLEASE NOTE: Please note that this version has not changed.

MM Survey FORM MMPCS.pdf

Satisfied -Name: NAIC loss cost data entry document

Comment: See Attached NAIC loss cost data entry PDF.

Please note the revised rating information and responses on this form, "REVISED FORM RF-1 Rate Filing Abstract".

REVISED FORM RF-1 Rate Filing Abstract.pdf

User Added -Name: Rate Data and Actuarial Support

Comment: Please see attached Rate Data and Actuarial Support PDF's.

Please note that the proposed rates have not changed, but the supporting data has been revised to include more documentation, this is the attached, "Revised Rate Data & Actuarial Support.pdf".

Revised Rate Data & Actuarial Support.pdf

Proposed Arkansas Mutual Rates August-1-2011.pdf

User Added -Name: Filing Memorandum

Comment: Please see attached revised filing memorandum.

Revised Filing Memorandum.pdf

| | | | |
|--------------------------|---|------------------------|-------------------------------|
| SERFF Tracking Number: | HGAS-127342325 | State: | Arkansas |
| Filing Company: | Arkansas Mutual Insurance Company | State Tracking Number: | |
| Company Tracking Number: | MEDMAL-001 | | |
| TOI: | 11.0 Medical Malpractice - Claims Made/Occurrence | Sub-TOI: | 11.0023 Physicians & Surgeons |
| Product Name: | Product Coding Matrix Line of Business | | |
| Project Name/Number: | Physicians & Surgeons Rate Filing/ARMIC - 01 - RF | | |

Rate Information

Rate data applies to filing.

| | |
|--|--------------|
| Filing Method: | File and Use |
| Rate Change Type: | Decrease |
| Overall Percentage of Last Rate Revision: | 0.000% |
| Effective Date of Last Rate Revision: | |
| Filing Method of Last Filing: | n/a |

Company Rate Information

| Company Name: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where required): | Minimum % Change (where required): |
|--------------------------------------|-----------------------------------|---------------------------|---|---|---|--|--|
| Arkansas Mutual Insurance Company | -12.500% | -12.500% | \$-122,542 | 151 | \$980,339 | 15.900% | -12.700% |

| | | | |
|---------------------------------|--|-------------------------------|--|
| <i>SERFF Tracking Number:</i> | <i>HGAS-127342325</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>Arkansas Mutual Insurance Company</i> | <i>State Tracking Number:</i> | |
| <i>Company Tracking Number:</i> | <i>MEDMAL-001</i> | | |
| <i>TOI:</i> | <i>11.0 Medical Malpractice - Claims</i> | <i>Sub-TOI:</i> | <i>11.0023 Physicians & Surgeons</i> |
| | <i>Made/Occurrence</i> | | |
| <i>Product Name:</i> | <i>Product Coding Matrix Line of Business</i> | | |
| <i>Project Name/Number:</i> | <i>Physicians & Surgeons Rate Filing/ARMIC - 01 - RF</i> | | |

Rate/Rule Schedule

| Schedule Item | Exhibit Name: | Rule # or Page | Rate Action | Previous State Filing Attachments |
|----------------------|---|-----------------------|--------------------|--|
| Status: | | #: | | Number: |
| Filed 10/14/2011 | REVISED FORM RF-1 Rate Filing Abstract | | Replacement | REVISED FORM RF-1 Rate Filing Abstract.pdf |

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | | |
|----|---|---|---|
| 1. | This filing transmittal is part of Company Tracking # | | |
| 2. | If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number | | Not Applicable; this is not a loss cost filing |
| | Company Name | | Company NAIC Number |
| 3. | A. | Arkansas Mutual Insurance Company | B. 13565 |
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | 11.0 Medical Malpractice: Claims Made/Occurrence | B. 11.0023 Physicians and Surgeons |

| 5. | | | | | | | |
|---------------------------------------|--|--|-------------------------------|--|--|---|---|
| (A) COVERAGE (See Instructions) | (B) Indicated % Rate Level Change | (C) Requested % Rate Level Change | FOR LOSS COSTS ONLY | | | | |
| | | | (D) Expected Loss Ratio | (E) Loss Cost Modification Factor | (F) Selected Loss Cost Multiplier | (G) Expense Constant (If Applicable) | (H) Co. Current Loss Cost Multiplier |
| Physicians and Surgeons | -12.5% | -12.5% | n/a | n/a | n/a | n/a | n/a |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL OVERALL EFFECT | | -12.5% | | | | | |

| 6. 5 Year History Rate Change History | | | | | | | |
|---------------------------------------|--------------|-------------|----------------|----------------------------|-----------------------|------------------|------------------------|
| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
| 2009 | 89 | 0 | n/a | 261 | 4 | 1.6% | 1.6% |
| 2010 | 151 | 0 | n/a | 632 | 70 | 11.1% | 11.1% |
| | | | | | | | |
| | | | | Source: Schedule P | Source: Schedule P | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| 7. | |
|-----------------------------|---------------------|
| Expense Constants | Selected Provisions |
| A. Total Production Expense | 0.5% |
| B. General Expense | 7.0% |
| C. Taxes, License & Fees | 2.5% |
| D. Underwriting Profit | |
| & Contingencies | 5.0% |
| E. Other (explain) | |
| F. TOTAL | 15.0% |

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. -12.9% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):N/A **Note** that this the max increase actually experienced by a policyholder- while the change for Class 2F is +15.9%, the Company has no policyholders in that Class
10. -12.7% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

SERFF Tracking Number: HGAS-127342325 State: Arkansas
Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
Company Tracking Number: MEDMAL-001
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence
Product Name: Product Coding Matrix Line of Business
Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Supporting Document Schedules

| | Item Status: | Status Date: |
|---|--------------|-----------------|
| Satisfied - Item: Form MMPCS | Filed | 10/14/2011 |
| Comments: Please see attached form MMPCS. | | |

PLEASE NOTE: Please note that this version has not changed.

Attachment:
MM Survey FORM MMPCS.pdf

| | Item Status: | Status Date: |
|---|--------------|-----------------|
| Bypassed - Item: Form PROMAL | Filed | 10/14/2011 |
| Bypass Reason: This form does not apply to this filing because the overall rate change is -12.5% | | |
| Comments: | | |

| | Item Status: | Status Date: |
|---|--------------|-----------------|
| Bypassed - Item: Form PRONOT | Filed | 10/14/2011 |
| Bypass Reason: This form does not apply to this filing because the overall rate change is -12.5% | | |
| Comments: | | |

| | Item Status: | Status Date: |
|---|--------------|-----------------|
| Satisfied - Item: NAIC loss cost data entry document | Filed | 10/14/2011 |
| Comments: See Attached NAIC loss cost data entry PDF. | | |

Please note the revised rating information and responses on this form, "REVISED FORM RF-1 Rate Filing Abstract".

Attachment:
REVISED FORM RF-1 Rate Filing Abstract.pdf

SERFF Tracking Number: HGAS-127342325 State: Arkansas
 Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
 Company Tracking Number: MEDMAL-001
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
 Made/Occurrence
 Product Name: Product Coding Matrix Line of Business
 Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

| | | Item Status: | Status Date: |
|-------------------------|---|--------------|-----------------|
| Bypassed - Item: | NAIC Loss Cost Filing Forms (all P&C lines) | Filed | 10/14/2011 |
| Bypass Reason: | This form does not apply to this filing because the filing does not involve Loss Costs. | | |
| Comments: | | | |

| | | Item Status: | Status Date: |
|--------------------------|---|--------------|-----------------|
| Satisfied - Item: | 3rd Party Authorization To File Letter | Filed | 10/14/2011 |
| Comments: | Please see attached 3rd Party Authorization To File Letter. | | |
| Attachment: | authorization letter.pdf | | |

| | | Item Status: | Status Date: |
|--------------------------|--|--------------|-----------------|
| Satisfied - Item: | Rate Data and Actuarial Support | Filed | 10/14/2011 |
| Comments: | Please see attached Rate Data and Actuarial Support PDF's. | | |

Please note that the proposed rates have not changed, but the supporting data has been revised to include more documentation, this is the attached, "Revised Rate Data & Actuarial Support.pdf".

Attachments:
 Revised Rate Data & Actuarial Support.pdf
 Proposed Arkansas Mutual Rates August-1-2011.pdf

| | | Item Status: | Status Date: |
|--------------------------|--|--------------|-----------------|
| Satisfied - Item: | Filing Memorandum | Filed | 10/14/2011 |
| Comments: | Please see attached revised filing memorandum. | | |

SERFF Tracking Number: HGAS-127342325 State: Arkansas
Filing Company: Arkansas Mutual Insurance Company State Tracking Number:
Company Tracking Number: MEDMAL-001
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence
Product Name: Product Coding Matrix Line of Business
Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Attachment:

Revised Filing Memorandum.pdf

| | Item Status: | Status Date: |
|--|--------------|--------------|
| Satisfied - Item: Response to 8 24 11 Dept Objections | Filed | 10/14/2011 |

Comments:

Please see attached document explaining our response to Dept Questions named: "Arkansas Mutual - Response to 8 24 11 Dept Objections".

Attachment:

Arkansas Mutual - Response to 8 24 11 Dept Objections.pdf

| | Item Status: | Status Date: |
|--|--------------|--------------|
| Satisfied - Item: Impact Statement Letter - Act 649 | Filed | 10/14/2011 |

Comments:

Please see attached "Arkansas Mutual Insurance Company - Impact Statement Letter for Act 649.pdf".

Attachment:

Arkansas Mutual Insurance Company - Impact Statement Letter for Act 649.pdf

Malpractice Premium Comparison Survey Form
FORM MMPCS - last modified August, 2005

USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK

NAIC Number: 13565
 Company Name: Arkansas Mutual Insurance Company
 Contact Person: Todd Dashoff
 Telephone No.: 610-892-1826
 Email Address: todd.dashoff@hugginsactuarial.com
 Effective Date: 8/1/2011

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904

Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a cdr disk

Physicians

| Base Rate | Hospital | Clinic | Private |
|---------------------------------|-----------------|---------------|----------------|
| At 500,000/1,000,000 | \$ 6637 | \$ 6637 | \$ 6637 |
| Discounts and Surcharges | | | |
| Emergency Room | % | % | % |
| Surgery | % | % | % |
| Delivery | % | % | % |
| Claims Free | 25% | 25% | 25% |
| Over 5 years Experience | % | % | % |
| Other: Risk Mgt | 25% | 25% | 25% |

Dental

| Base Rate | Dentist | Orthodontist | Oral Surgeons |
|---------------------------------|----------------|---------------------|----------------------|
| At 100,000/300,000 | \$ | \$ | \$ |
| Discounts and Surcharges | | | |
| Claims Free | % | % | % |
| 5 years Experience | % | % | % |
| Surgery | % | % | % |
| Other: | % | % | % |

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | | |
|----|---|---|---|
| 1. | This filing transmittal is part of Company Tracking # | | |
| 2. | If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number | | Not Applicable; this is not a loss cost filing |
| | Company Name | | Company NAIC Number |
| 3. | A. | Arkansas Mutual Insurance Company | B. 13565 |
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | 11.0 Medical Malpractice: Claims Made/Occurrence | B. 11.0023 Physicians and Surgeons |

| 5. | | | | | | | |
|---------------------------------------|--|--|-------------------------------|--|--|---|---|
| (A) COVERAGE (See Instructions) | (B) Indicated % Rate Level Change | (C) Requested % Rate Level Change | FOR LOSS COSTS ONLY | | | | |
| | | | (D) Expected Loss Ratio | (E) Loss Cost Modification Factor | (F) Selected Loss Cost Multiplier | (G) Expense Constant (If Applicable) | (H) Co. Current Loss Cost Multiplier |
| Physicians and Surgeons | -12.5% | -12.5% | n/a | n/a | n/a | n/a | n/a |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL OVERALL EFFECT | | -12.5% | | | | | |

| 6. 5 Year History Rate Change History | | | | | | | |
|---------------------------------------|--------------|-------------|----------------|----------------------------|-----------------------|------------------|------------------------|
| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
| 2009 | 89 | 0 | n/a | 261 | 4 | 1.6% | 1.6% |
| 2010 | 151 | 0 | n/a | 632 | 70 | 11.1% | 11.1% |
| | | | | Source: Schedule P | Source: Schedule P | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| 7. | |
|-----------------------------|---------------------|
| Expense Constants | Selected Provisions |
| A. Total Production Expense | 0.5% |
| B. General Expense | 7.0% |
| C. Taxes, License & Fees | 2.5% |
| D. Underwriting Profit | |
| & Contingencies | 5.0% |
| E. Other (explain) | |
| F. TOTAL | 15.0% |

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. -12.9% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):N/A **Note** that this the max increase actually experienced by a policyholder- while the change for Class 2F is +15.9%, the Company has no policyholders in that Class
10. -12.7% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

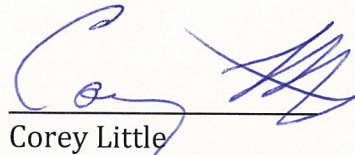
July 22, 2011

Huggins Actuarial Services, Inc.
111 Veterans Square, 2nd Floor
Media, PA 19063

Corey Little
Chief Executive Officer
Arkansas Mutual Insurance Company
11300 N. Rodney Parham
Little Rock, AR 72212

Todd, please consider this authorization from Arkansas Mutual Insurance
for Huggins Actuarial Services to file via SERFF on our behalf.

Regards,



Corey Little
Chief Executive Officer
Arkansas Mutual Insurance Company
11300 N. Rodney Parham
Little Rock, AR 72212

Board of Directors

Gary E. Allen, MD
Scott A. Bailey, MD
Steve L. Carlson
Bradley C. Dinet, MD
Alan W. "Dick" Home
M. Corey Little
Peter M. Marvin, MD
Randy G. McComb, MD
J. Michael Pickens
Lawrence S. Powell, PhD

Administration

Corey Little
Chief Executive Officer
Rebecca Burks, CPA
Chief Financial Officer
Trey Tyler
Director of Underwriting
Joyce Wilson, CIC
Director of Customer Service
Brent L. Walker, MD
Medical Director
Thomas P. Robinson, MD
Director of Physician
Relations

ARKANSAS MUTUAL INSURANCE COMPANY
Physicians and Surgeons Rate Filing
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Table of Contents

| <u>Exhibit</u> | <u>Number</u> |
|---|---------------|
| Indicated Rate Change | 1 |
| Derivation of Average Current \$1 Million Rate | 2 |
| Derivation of Average Class Factor | 3 |
| Derivation of Claims Made Step Factor Off-Balance | 4 |
| Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense | 5 |
| Development of Indicated Ultimate Trended Incurred Pure Premium | 6 |
| Incurred Development Method | 7 |
| Development of Credibility to be Applied to Company Data | 8 |
| Frequency-Severity Method | 9 |
| Summary of Company Loss, Expense and Claim Development Factors | 10 |
| Development of Paid Claim Frequency | 11 |
| Development of Indicated Present Value Factors | 12 |

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Indicated Rate Change

| | |
|---|-------------|
| (1) Class 1C \$1 Million Limits Pure Premium | \$877.35 |
| (2) Average Class Factor | 2.022 |
| (3) Off-Balance for Class Factor | 1.016 |
| (4) Off-Balance for Claims Made Step Factors | 1.000 |
| (5) Adjusting and Other LAE Loading | 3.0% |
| (6) DDR Loading | 4.1% |
| (7) Discount Factor | 0.920 |
| (8) Total Budgeted Expense | 0 |
| (9) Factor to Reflect Premium Payment Plan | 1.000 |
| (10) Offset for Discount Programs | 0.650 |
| (11) Loading for Premium Tax, FIT, Commission, Surplus Growth | 0.850 |
| (12) Indicated Average Manual \$1 Million Rate | \$2,325.06 |
| (13) Current Average Manual \$1 Million Rate | \$13,247.19 |
| (14) Indicated Rate Change | -82.4% |
| (15) Credibility of Company Experience (Full Credibility = 10,616 Claims) | 2.7% |
| (16) Indicated Change Based on Use of SVMIC Rates | -12.5% |
| (17) Credibility Weighted Rate Change | -12.5% |

Notes:

- (1) From Exhibit 5
- (2) From Exhibit 3
- (3) From Exhibit 3
- (4) From Exhibit 4
- (5) Based on data provided by Company
- (6) Based on data provided by Company
- (7) Source: Exhibit 12
- (8) All underwriting expenses are a function of premium
- (9) Company offers an installment payment plan but does not impose any charge for participation
- (10) based on data provided by Company
- (11) Based on loss and LAE ratio prescribed by Department
- (12) $\{ [(1) \times (2) \times (3) \times (4) \times (1.0 + (5)) \times (1.0 + (6)) \times (7) + (8)] \times (9) \} / [(10) \times (11)]$
- (13) From Exhibit 2
- (14) $[(12) / (13)]$
- (15) From Exhibit 9
- (16) From Exhibit 2
- (17) $\{ [(14) \times (15)] + [(100 - (15)) \times (16)] \} / 100$

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Average Current \$1 Million Rate

| <u>Class</u> | (1) Base Class Equivalent <u>Distribution</u> | (2) Current \$1 Million <u>Rate</u> | (3) Current SVMIC \$1 Million <u>Rate</u> | (4) Indicated <u>Change</u> |
|--------------|--|--|--|-----------------------------------|
| 1A | 0.000 | 4,869 | 4,285 | -12.0% |
| 1B | 0.150 | 5,460 | 4,798 | -12.1% |
| 1C | 0.109 | 6,637 | 5,820 | -12.3% |
| 1D | 0.238 | 7,321 | 6,413 | -12.4% |
| 1E | 0.010 | 9,305 | 8,134 | -12.6% |
| 1F | 0.038 | 9,769 | 8,538 | -12.6% |
| 1G | 0.053 | 8,205 | 7,180 | -12.5% |
| 1H | 0.048 | 10,771 | 9,407 | -12.7% |
| 1J | 0.001 | 12,000 | 10,474 | -12.7% |
| 1K | 0.054 | 12,070 | 10,535 | -12.7% |
| 1L | 0.018 | 12,951 | 11,304 | -12.7% |
| 1M | 0.003 | 5,460 | 4,798 | -12.1% |
| 2A | 0.030 | 12,070 | 10,535 | -12.7% |
| 2B | 0.000 | 14,891 | 12,995 | -12.7% |
| 2C | 0.007 | 15,730 | 13,729 | -12.7% |
| 2D | 0.016 | 15,985 | 13,990 | -12.5% |
| 2E | 0.031 | 18,466 | 16,158 | -12.5% |
| 2F | 0.000 | 12,070 | 13,990 | 15.9% |
| 3A | 0.000 | 20,551 | 17,939 | -12.7% |
| 3B | 0.044 | 22,084 | 19,319 | -12.5% |
| 3C | 0.000 | 23,138 | 20,198 | -12.7% |
| 3D | 0.026 | 20,551 | 17,939 | -12.7% |
| 4A | 0.000 | 33,786 | 29,490 | -12.7% |
| 4B | 0.036 | 24,519 | 21,441 | -12.6% |
| 4C | 0.000 | 30,146 | 26,349 | -12.6% |
| 5A | 0.000 | 33,786 | 29,490 | -12.7% |
| 6A | 0.000 | 41,654 | 36,392 | -12.6% |
| 7A | 0.088 | 44,823 | 39,171 | -12.6% |
| Total | | | | -12.5% |
| Average Rate | 1.000 | 13,247 | | |

Notes:

(1) Based on distribution of 2010 Company exposures by class

(2) Provided by Company

(3) Based on current approved rates of State Volunteer Mutual Insurance Company

(4) [(3) / (2)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Average Class Factor

| <u>Class</u> | (1) Base Class Equivalent Distribution | (2) Current Class Factors | (3) Proposed Class Factors |
|---------------------------|---|------------------------------------|-------------------------------------|
| 1A | 0.000 | 0.723 | 0.737 |
| 1B | 0.150 | 0.815 | 0.825 |
| 1C | 0.109 | 1.000 | 1.000 |
| 1D | 0.238 | 1.107 | 1.102 |
| 1E | 0.010 | 1.418 | 1.398 |
| 1F | 0.038 | 1.491 | 1.467 |
| 1G | 0.053 | 1.246 | 1.234 |
| 1H | 0.048 | 1.648 | 1.617 |
| 1J | 0.001 | 1.840 | 1.800 |
| 1K | 0.054 | 1.851 | 1.811 |
| 1L | 0.018 | 1.987 | 1.943 |
| 1M | 0.003 | 0.815 | 0.825 |
| 2A | 0.030 | 1.851 | 1.811 |
| 2B | 0.000 | 2.285 | 2.233 |
| 2C | 0.007 | 2.415 | 2.360 |
| 2D | 0.016 | 2.455 | 2.404 |
| 2E | 0.031 | 2.835 | 2.777 |
| 2F | 0.000 | 1.851 | 2.404 |
| 3A | 0.000 | 3.154 | 3.083 |
| 3B | 0.044 | 3.390 | 3.320 |
| 3C | 0.000 | 3.551 | 3.471 |
| 3D | 0.026 | 3.154 | 3.083 |
| 4A | 0.000 | 5.186 | 5.068 |
| 4B | 0.036 | 3.764 | 3.685 |
| 4C | 0.000 | 4.627 | 4.528 |
| 5A | 0.000 | 5.186 | 5.068 |
| 6A | 0.000 | 6.394 | 6.254 |
| 7A | 0.088 | 6.881 | 6.732 |
| Total | 1.000 | 2.022 | 1.991 |
| (4) Indicated Off Balance | 1.016 | | |
| (5) Selected Off- Balance | 1.016 | | |

Notes:

- (1) Based on distribution of 2010 Company exposures by class
- (2) Provided by Company
- (3) Provided by Company
- (4) Total (2) / Total (3)
- (5) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Claims Made Step Factor Off-Balance

| Year of Claims Made <u>Coverage</u> | (1) Base Class Equivalent <u>Distribution</u> | (2) Current Step <u>Factors</u> | (3) Proposed Step <u>Factors</u> |
|---|--|--|---|
| 1 | 0.041 | 0.417 | 0.430 |
| 2 | 0.076 | 0.846 | 0.850 |
| 3 | 0.046 | 0.935 | 0.935 |
| 4 | 0.033 | 0.967 | 0.970 |
| 5+ | 0.803 | 1.000 | 1.000 |
| Total | 1.000 | 0.960 | 0.961 |
| (4) Indicated Off-Balance | 0.999 | | |
| (5) Selected Off-Balance | 1.000 | | |

Notes:

- (1) Based on distribution of 2010 Company exposures by claims made year
- (2) Provided by Company
- (3) Provided by Company
- (4) Total (2) / Total (3)
- (5) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
(in dollars)

Indicated Pure Premium:

| | |
|---------------------------|------------|
| Developed Incurred Method | \$1,019.15 |
| Frequency-Severity Method | \$735.56 |
| Selected | \$877.35 |

Notes:

- (1) From Exhibit 6
- (2) From Exhibit 9
- (3) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Pure Premium
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
(in \$000s - Except Pure Premiums)

| Report Year | (1) Ultimate Incd. Loss and DCC | (2) Earned Base Class Equivalents | (3) Pure Premium | (4) Trend Factor | (5) Trended Pure Premium |
|----------------|--|--|------------------------|------------------------|-----------------------------------|
| 2009 | 3.915 | 47.125 | 83.076 | 0.940 | 78.063 |
| 2010 | 120.680 | 122.956 | 981.489 | 0.959 | 941.084 |
| Total | 124.595 | 170.081 | 732.561 | | 1019.147 |

Notes:

(1) From Exhibit 7

(2) Based on data provided by Company

(3) [(1) x 1000 / (2)]

(4) Based on an annual trend rate of -2.0% (from SCMIC filing)
and an assumed effective date of 8/1/11

(5) [(3) x (4)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Incurred Development Method
Based on Data as of December 31, 2010
(in \$000s)

| Report Year | (1) Case Incurred <u>Loss</u> | (2) Case Incurred <u>DCC</u> | (3) Total Incd. Loss and DCC | (4) Ultimate Development <u>Factor</u> | (5) Ultimate Incd. Loss and DCC |
|----------------|--|---------------------------------------|---------------------------------------|---|--|
| 2009 | 3 | 2 | 5 | 0.783 | 3.915 |
| 2010 | 22 | 48 | 70 | 1.724 | 120.680 |
| Total | 25 | 50 | 75 | | 124.595 |

Notes:

(1) From Company Annual Statement as of December 31, 2010

(2) From Company Annual Statement as of December 31, 2010

(3) [(1) + (2)]

(4) From 2011 State Volunteer Mutual Insurance Company filing - Exhibit 7, Sheet 2

(5) [(3) x (4)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Credibility to be Applied to Company Data
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010

| | |
|--|--------|
| 1. Ultimate Reported Claims - Report Year 2009 | 2 |
| 2. Ultimate Reported Claims - Report Year 2010 | 6 |
| 3. Total Ultimate Reported Claims | 8 |
| 4. Full Credibility Standard | 10,616 |
| 5. Credibility to be Applied to Company Experience | 0.027 |
| 6. Complement of Credibility to be Applied to Outside Experience | 0.973 |

Notes:

(1) Source - Exhibit 9

(2) Source - Exhibit 9

(3) [(1) + (2)]

(4) Standard selected to be within 2.5% of the mean 99.00% of the time

(5) Square root of (3) / (4) , with a maximum value of 1.0

(6) [1.0 - (5)]

Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Frequency-Severity Method
Based on Data as of December 31, 2010
(in \$000s - Except Severities and Pure Premiums)

| Report Year | (1) Case Incurred Loss | (2) Case Incurred DCC | (3) Total Incd. Loss and DCC | (4) Ultimate Development Factor | (5) Ultimate Incd. Loss and DCC | (6) Ultimate Reported Claims | (7) Untrended Average Severity | (8) Trend Factor | (9) Trended Average Severity |
|-------------------|---------------------------------|--------------------------------|---------------------------------------|--|--|---------------------------------------|---|------------------------|---------------------------------------|
| 2009 | 3 | 2 | 5 | 0.783 | 3.915 | 2 | 1,958 | 1.025 | 2,006 |
| 2010 | 22 | 48 | 70 | 1.724 | 120.680 | 6 | 20,113 | 1.017 | 20,450 |
| Total | 25 | 50 | 75 | | 124.595 | 8 | | | |
| (10) Selected | | | | | | | | | 15,800 |
| (11) Frequency | | | | | | | | | 4.655 |
| (12) Pure Premium | | | | | | | | | 735.557 |

Notes:

- (1) From Company Annual Statement as of December 31, 2010
- (2) From Company Annual Statement as of December 31, 2010
- (3) [(1) + (2)]
- (4) From 2011 State Volunteer Mutual Insurance Company filing - Exhibit 7, Sheet 2
- (5) [(3) x (4)]
- (6) Provided by Company
- (7) [(5) x 1,000 / (6)]
- (8) Based on an annual trend rate of +0.8% (from SCMIC filing) and an assumed effective date of 8/1/11
- (9) [(7) x (8)]
- (10) Weighted average of (9) using values in Column (6) as weights
- (11) Source: Exhibit 11
- (12) [(10) x (11) / 100]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Summary of Company Loss, Expense and Claim Development Factors
Based on Data as of December 31, 2010
(in \$000s - Except for Claim Counts)

Paid Loss

| Report | Maturity | |
|-------------|-----------|-----------|
| <u>Year</u> | <u>12</u> | <u>24</u> |
| 2009 | 2 | 2 |
| 2010 | 0 | |

Paid Loss Development

| Report | |
|-------------|-------|
| <u>Year</u> | 12-24 |
| 2009 | 1.000 |

Paid Loss Adjustment Expense

| Report | Maturity | |
|-------------|-----------|-----------|
| <u>Year</u> | <u>12</u> | <u>24</u> |
| 2009 | 0 | 0 |
| 2010 | 16 | |

Paid Loss Adjustment Expense Development

| Report | |
|-------------|-------|
| <u>Year</u> | 12-24 |
| 2009 | N/A |

Incurred Loss

| Report | Maturity | |
|-------------|-----------|-----------|
| <u>Year</u> | <u>12</u> | <u>24</u> |
| 2009 | 2 | 3 |
| 2010 | 22 | |

Incurred Loss Development

| Report | |
|-------------|-------|
| <u>Year</u> | 12-24 |
| 2009 | 1.500 |

Incurred Loss Adjustment Expense

| Report | Maturity | |
|-------------|-----------|-----------|
| <u>Year</u> | <u>12</u> | <u>24</u> |
| 2009 | 0 | 2 |
| 2010 | 48 | |

Incurred Loss Adjustment Expense Development

| Report | |
|-------------|-------|
| <u>Year</u> | 12-24 |
| 2009 | N/A |

Reported Claim Counts

| Report | Maturity | |
|-------------|-----------|-----------|
| <u>Year</u> | <u>12</u> | <u>24</u> |
| 2009 | 2 | 2 |
| 2010 | 6 | |

Reported Claim Count Development

| Report | |
|-------------|-------|
| <u>Year</u> | 12-24 |
| 2009 | 1.000 |

Note: Countrywide development is identical to the Arkansas data shown above since the Company only writes business in Arkansas

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Development of Paid Claim Frequency
Based on Data as of December 31, 2010
(Frequency per 100 Base Class Equivalents)

| Report <u>Year</u> | (1) Ultimate Reported <u>Claims</u> | (2) Earned Base Class <u>Equivalents</u> | (3) Ultimate Reported <u>Frequency</u> | (4) Trend <u>Factor</u> | (5) Trended Average <u>Frequency</u> |
|-----------------------|--|---|---|-------------------------------|---|
| 2009 | 2 | 47.125 | 4.244 | 1.025 | 4.349 |
| 2010 | 6 | 122.956 | 4.880 | 1.017 | 4.961 |
| Total | 8 | 170.081 | | | 4.655 |

Notes:

(1) From Exhibit 9

(2) From Exhibit 6

(3) $\{ (1) / [(2) / 100] \}$

(4) Based on an annual trend rate of +0.8% (from SVMIC filing) and an assumed effective date of 8/1/11

(5) $[(3) \times (4)]$. All year value selected based on individual year results.

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Present Value Factors
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010

| Year (T) | (1) Percent of Loss Paid in Year "X" | (2) Unpaid at Beginning of Period | (3) Present Value of Column (2) at Time "X"=0 | (4) Present Value of Unpaid at Beginning of Period | (5) Discount Factor for Remaining Payments at Time "T"-1 |
|--|---|--|--|---|---|
| 1 | 0.050 | 1.000 | 0.050 | 0.920 | 0.920 |
| 2 | 0.185 | 0.950 | 0.180 | 0.871 | 0.935 |
| 3 | 0.216 | 0.765 | 0.206 | 0.691 | 0.940 |
| 4 | 0.187 | 0.549 | 0.174 | 0.486 | 0.939 |
| 5 | 0.093 | 0.362 | 0.085 | 0.311 | 0.931 |
| 6 | 0.068 | 0.269 | 0.061 | 0.226 | 0.929 |
| 7 | 0.024 | 0.201 | 0.021 | 0.165 | 0.926 |
| 8 | 0.024 | 0.177 | 0.021 | 0.144 | 0.936 |
| 9 | 0.017 | 0.153 | 0.014 | 0.123 | 0.946 |
| 10 | 0.020 | 0.136 | 0.017 | 0.109 | 0.959 |
| 11 | 0.045 | 0.116 | 0.037 | 0.093 | 0.972 |
| 12 | 0.052 | 0.071 | 0.041 | 0.056 | 0.980 |
| 13 | 0.009 | 0.019 | 0.007 | 0.015 | 0.973 |
| 14 | 0.005 | 0.010 | 0.004 | 0.008 | 0.977 |
| 15 | 0.003 | 0.005 | 0.002 | 0.004 | 0.982 |
| 16 | 0.002 | 0.002 | 0.001 | 0.001 | 0.990 |
| Total | 1.000 | | | | |
| Claims Made Present Value Factor at Time "T"=0 | | | | | 0.920 |

Notes:

- (1) Based on payment pattern from SVMIC filing since Company has insufficient experience to derive its own pattern
- (2) Upward summation of Column (1)
- (3) Annual discount factors based on an assumed discount rate of 2.0%; assumes payment mid-year
- (4) Upward summation of Column (3)
- (5) $[\{ 1.02^{(T-1.0)} \} \times (4) / (2)]$

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates First Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 1,843 | 2,258 | 2,527 | 2,610 | 2,714 |
| 1B | 2,063 | 2,527 | 2,829 | 2,922 | 3,038 |
| 1C | 2,502 | 3,065 | 3,431 | 3,543 | 3,684 |
| 1D | 2,757 | 3,377 | 3,781 | 3,905 | 4,060 |
| 1E | 3,498 | 4,285 | 4,797 | 4,954 | 5,151 |
| 1F | 3,671 | 4,497 | 5,034 | 5,199 | 5,406 |
| 1G | 3,087 | 3,782 | 4,233 | 4,372 | 4,546 |
| 1H | 4,045 | 4,955 | 5,547 | 5,729 | 5,956 |
| 1J | 4,504 | 5,517 | 6,176 | 6,379 | 6,632 |
| 1K | 4,530 | 5,549 | 6,212 | 6,416 | 6,670 |
| 1L | 4,861 | 5,955 | 6,666 | 6,884 | 7,158 |
| 1M | 2,063 | 2,527 | 2,829 | 2,922 | 3,038 |
| 2A | 4,530 | 5,549 | 6,212 | 6,416 | 6,670 |
| 2B | 5,588 | 6,845 | 7,663 | 7,914 | 8,228 |
| 2C | 5,904 | 7,232 | 8,096 | 8,362 | 8,694 |
| 2D | 6,016 | 7,370 | 8,249 | 8,520 | 8,859 |
| 2E | 6,948 | 8,511 | 9,527 | 9,840 | 10,231 |
| 2F | 6,016 | 7,370 | 8,249 | 8,520 | 8,859 |
| 3A | 7,714 | 9,720 | 11,023 | 11,424 | 11,926 |
| 3B | 8,307 | 10,467 | 11,871 | 12,303 | 12,843 |
| 3C | 8,685 | 10,943 | 12,411 | 12,862 | 13,427 |
| 3D | 7,714 | 9,720 | 11,023 | 11,424 | 11,926 |
| 4A | 12,681 | 15,978 | 18,121 | 18,781 | 19,605 |
| 4B | 9,219 | 11,616 | 13,174 | 13,653 | 14,253 |
| 4C | 11,330 | 14,276 | 16,191 | 16,780 | 17,516 |
| 5A | 12,681 | 15,978 | 18,121 | 18,781 | 19,605 |
| 6A | 15,648 | 19,716 | 22,361 | 23,175 | 24,192 |
| 7A | 16,844 | 21,223 | 24,070 | 24,946 | 26,041 |

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Second Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 3,643 | 4,463 | 4,995 | 5,159 | 5,364 |
| 1B | 4,078 | 4,996 | 5,592 | 5,775 | 6,005 |
| 1C | 4,947 | 6,060 | 6,784 | 7,006 | 7,284 |
| 1D | 5,451 | 6,677 | 7,475 | 7,720 | 8,027 |
| 1E | 6,914 | 8,470 | 9,481 | 9,792 | 10,181 |
| 1F | 7,257 | 8,890 | 9,951 | 10,278 | 10,686 |
| 1G | 6,103 | 7,476 | 8,369 | 8,643 | 8,987 |
| 1H | 7,996 | 9,795 | 10,965 | 11,324 | 11,774 |
| 1J | 8,903 | 10,906 | 12,208 | 12,609 | 13,110 |
| 1K | 8,954 | 10,969 | 12,278 | 12,681 | 13,185 |
| 1L | 9,608 | 11,770 | 13,175 | 13,607 | 14,148 |
| 1M | 4,078 | 4,996 | 5,592 | 5,775 | 6,005 |
| 2A | 8,954 | 10,969 | 12,278 | 12,681 | 13,185 |
| 2B | 11,046 | 13,531 | 15,147 | 15,644 | 16,265 |
| 2C | 11,670 | 14,296 | 16,002 | 16,528 | 17,184 |
| 2D | 11,891 | 14,566 | 16,306 | 16,841 | 17,509 |
| 2E | 13,734 | 16,824 | 18,833 | 19,451 | 20,223 |
| 2F | 11,891 | 14,566 | 16,306 | 16,841 | 17,509 |
| 3A | 15,248 | 19,212 | 21,789 | 22,582 | 23,573 |
| 3B | 16,421 | 20,690 | 23,466 | 24,320 | 25,387 |
| 3C | 17,168 | 21,632 | 24,533 | 25,426 | 26,542 |
| 3D | 15,248 | 19,212 | 21,789 | 22,582 | 23,573 |
| 4A | 25,066 | 31,583 | 35,819 | 37,123 | 38,752 |
| 4B | 18,224 | 22,962 | 26,042 | 26,990 | 28,174 |
| 4C | 22,397 | 28,220 | 32,005 | 33,170 | 34,626 |
| 5A | 25,066 | 31,583 | 35,819 | 37,123 | 38,752 |
| 6A | 30,933 | 38,976 | 44,203 | 45,812 | 47,822 |
| 7A | 33,296 | 41,953 | 47,580 | 49,311 | 51,476 |

**Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Third Year**

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,007 | 4,909 | 5,495 | 5,675 | 5,900 |
| 1B | 4,486 | 5,495 | 6,151 | 6,353 | 6,606 |
| 1C | 5,441 | 6,665 | 7,461 | 7,706 | 8,012 |
| 1D | 5,996 | 7,345 | 8,222 | 8,492 | 8,829 |
| 1E | 7,605 | 9,316 | 10,428 | 10,771 | 11,198 |
| 1F | 7,983 | 9,779 | 10,947 | 11,306 | 11,755 |
| 1G | 6,713 | 8,223 | 9,205 | 9,507 | 9,885 |
| 1H | 8,795 | 10,774 | 12,060 | 12,456 | 12,951 |
| 1J | 9,793 | 11,996 | 13,429 | 13,869 | 14,420 |
| 1K | 9,850 | 12,066 | 13,507 | 13,950 | 14,504 |
| 1L | 10,569 | 12,947 | 14,493 | 14,968 | 15,563 |
| 1M | 4,486 | 5,495 | 6,151 | 6,353 | 6,606 |
| 2A | 9,850 | 12,066 | 13,507 | 13,950 | 14,504 |
| 2B | 12,150 | 14,884 | 16,661 | 17,207 | 17,891 |
| 2C | 12,837 | 15,725 | 17,603 | 18,180 | 18,902 |
| 2D | 13,080 | 16,023 | 17,936 | 18,525 | 19,260 |
| 2E | 15,107 | 18,506 | 20,715 | 21,395 | 22,245 |
| 2F | 13,080 | 16,023 | 17,936 | 18,525 | 19,260 |
| 3A | 16,773 | 21,134 | 23,969 | 24,841 | 25,931 |
| 3B | 18,063 | 22,759 | 25,812 | 26,751 | 27,925 |
| 3C | 18,885 | 23,795 | 26,987 | 27,969 | 29,196 |
| 3D | 16,773 | 21,134 | 23,969 | 24,841 | 25,931 |
| 4A | 27,573 | 34,742 | 39,402 | 40,836 | 42,628 |
| 4B | 20,047 | 25,259 | 28,647 | 29,690 | 30,993 |
| 4C | 24,637 | 31,043 | 35,206 | 36,487 | 38,089 |
| 5A | 27,573 | 34,742 | 39,402 | 40,836 | 42,628 |
| 6A | 34,026 | 42,873 | 48,623 | 50,393 | 52,604 |
| 7A | 36,625 | 46,148 | 52,337 | 54,242 | 56,622 |

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Forth Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,157 | 5,092 | 5,700 | 5,887 | 6,121 |
| 1B | 4,654 | 5,701 | 6,382 | 6,591 | 6,853 |
| 1C | 5,645 | 6,915 | 7,741 | 7,995 | 8,312 |
| 1D | 6,220 | 7,620 | 8,529 | 8,809 | 9,159 |
| 1E | 7,890 | 9,665 | 10,819 | 11,174 | 11,618 |
| 1F | 8,282 | 10,145 | 11,357 | 11,729 | 12,195 |
| 1G | 6,965 | 8,532 | 9,551 | 9,864 | 10,256 |
| 1H | 9,125 | 11,178 | 12,513 | 12,923 | 13,437 |
| 1J | 10,160 | 12,446 | 13,932 | 14,389 | 14,961 |
| 1K | 10,219 | 12,518 | 14,013 | 14,473 | 15,047 |
| 1L | 10,965 | 13,432 | 15,036 | 15,529 | 16,146 |
| 1M | 4,654 | 5,701 | 6,382 | 6,591 | 6,853 |
| 2A | 10,219 | 12,518 | 14,013 | 14,473 | 15,047 |
| 2B | 12,605 | 15,441 | 17,285 | 17,852 | 18,561 |
| 2C | 13,318 | 16,315 | 18,262 | 18,862 | 19,611 |
| 2D | 13,570 | 16,623 | 18,608 | 19,219 | 19,982 |
| 2E | 15,673 | 19,199 | 21,492 | 22,197 | 23,078 |
| 2F | 13,570 | 16,623 | 18,608 | 19,219 | 19,982 |
| 3A | 17,401 | 21,925 | 24,866 | 25,771 | 26,902 |
| 3B | 18,740 | 23,612 | 26,779 | 27,754 | 28,972 |
| 3C | 19,592 | 24,686 | 27,997 | 29,016 | 30,289 |
| 3D | 17,401 | 21,925 | 24,866 | 25,771 | 26,902 |
| 4A | 28,605 | 36,042 | 40,877 | 42,364 | 44,223 |
| 4B | 20,797 | 26,204 | 29,719 | 30,800 | 32,152 |
| 4C | 25,559 | 32,204 | 36,524 | 37,853 | 39,514 |
| 5A | 28,605 | 36,042 | 40,877 | 42,364 | 44,223 |
| 6A | 35,300 | 44,478 | 50,444 | 52,279 | 54,574 |
| 7A | 37,996 | 47,875 | 54,296 | 56,272 | 58,742 |

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Fifth Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,285 | 5,249 | 5,876 | 6,069 | 6,310 |
| 1B | 4,798 | 5,878 | 6,579 | 6,795 | 7,065 |
| 1C | 5,820 | 7,130 | 7,981 | 8,243 | 8,570 |
| 1D | 6,413 | 7,856 | 8,794 | 9,082 | 9,443 |
| 1E | 8,134 | 9,964 | 11,154 | 11,520 | 11,977 |
| 1F | 8,538 | 10,459 | 11,708 | 12,092 | 12,572 |
| 1G | 7,180 | 8,796 | 9,846 | 10,169 | 10,573 |
| 1H | 9,407 | 11,524 | 12,899 | 13,323 | 13,852 |
| 1J | 10,474 | 12,831 | 14,362 | 14,834 | 15,423 |
| 1K | 10,535 | 12,905 | 14,446 | 14,920 | 15,513 |
| 1L | 11,304 | 13,847 | 15,501 | 16,009 | 16,645 |
| 1M | 4,798 | 5,878 | 6,579 | 6,795 | 7,065 |
| 2A | 10,535 | 12,905 | 14,446 | 14,920 | 15,513 |
| 2B | 12,995 | 15,919 | 17,819 | 18,404 | 19,135 |
| 2C | 13,729 | 16,818 | 18,826 | 19,444 | 20,216 |
| 2D | 13,990 | 17,138 | 19,184 | 19,813 | 20,600 |
| 2E | 16,158 | 19,794 | 22,157 | 22,884 | 23,793 |
| 2F | 13,990 | 17,138 | 19,184 | 19,813 | 20,600 |
| 3A | 17,939 | 22,603 | 25,635 | 26,568 | 27,734 |
| 3B | 19,319 | 24,342 | 27,607 | 28,611 | 29,867 |
| 3C | 20,198 | 25,449 | 28,863 | 29,913 | 31,226 |
| 3D | 17,939 | 22,603 | 25,635 | 26,568 | 27,734 |
| 4A | 29,490 | 37,157 | 42,141 | 43,675 | 45,592 |
| 4B | 21,441 | 27,016 | 30,639 | 31,754 | 33,148 |
| 4C | 26,349 | 33,200 | 37,653 | 39,023 | 40,736 |
| 5A | 29,490 | 37,157 | 42,141 | 43,675 | 45,592 |
| 6A | 36,392 | 45,854 | 52,004 | 53,897 | 56,262 |
| 7A | 39,171 | 49,355 | 55,975 | 58,012 | 60,558 |

September 12, 2011

Ms. Edith Roberts
Arkansas Department of Insurance
1200 West Third Street
Little Rock, AR 72201

**Arkansas Mutual Insurance Company
Proposed Rate Change – Physicians and Surgeons**

Dear Ms. Roberts:

At the request of my client, Arkansas Mutual Insurance Company (“the Company”), I am submitting to you the enclosed actuarial memorandum that we prepared for them, which describes a revision to their physician and surgeon rates of -12.5%, with a proposed effective date of August 1, 2011.

This change is based on a credibility weighted indication that uses the Company’s limited loss experience along with the experience contained in the latest approved filing of State Volunteer Mutual Insurance Company (SVMIC). We have elected to use the SVMIC experience due to the fact that they are one of the largest writers of Physician Professional Liability Insurance in the state, as well as the fact that a number of other carriers who have filed rates in Arkansas have used the SVMIC rates as the basis for their rates.

The attached filing memorandum describes the derivation of the proposed rates. Where applicable, we have commented on the components of the rate level indication as listed in Department Rule 23. Any item not so listed, such as adjustments or catastrophic losses, is not applicable in the current calculation.

We are also submitting the required Forms RF-1 and MMPCS. We have only shown data for the most recent two years on Form RF-1, as that is all that is available for the Company. The earned premium and incurred loss and LAE amounts shown were taken from the Company’s 2010 Annual Statement. Statewide and Countrywide loss ratios are identical, since the Company only writes business in Arkansas. The underwriting expense provisions shown on Form RF-1 have been estimated based on the Company’s 2010 calendar year experience and the requirement of the Department that they book to a loss and LAE ratio of 85%. While the Company does not currently write policies with limits of \$500,000/\$1,500,000, we have estimated the rate for purposes of completing Form MMPCS by taking the current \$1 million/\$3 million rate and applying an industry

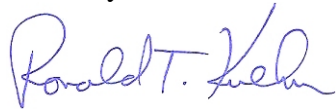
decreased limits factor.

The PROMAL and PRONOT forms have not been included since they appear to only be required when a company files for a rate level increase, which is not the case with this filing.

An exhibit showing the proposed new rates has been included as an attachment to this filing.

Please don't hesitate to call if you have any questions concerning this filing.

Sincerely,



Ronald T. Kuehn, FCAS, MAAA, CPCU ARM, FCA
Consulting Actuary

Enclosure

September 9, 2011

Mr. M. Corey Little
President and Chief Executive Officer
Arkansas Mutual Insurance Company
11300 N. Rodney Parham Road
Suite 200
Little Rock, AR 72212

**Arkansas Mutual Insurance Company (Arkansas Mutual)
Physicians and Surgeons Rate Filing
Proposed Effective Date August 1, 2011**

Dear Mr. Little:

Attached are a Filing Memorandum and a set of Supporting Exhibits that develop a proposed overall rate level change to your current Physician and Surgeons rate level of -12.5%. This indication has been developed based on Arkansas Mutual loss and premium information as contained in your Annual Statement as of December 31, 2011, supplemented with data from the State Volunteer Mutual Insurance Company ("SVMIC") rate filing approved by the Arkansas Insurance Department as of June 1, 2011. The assumed effective date of the filing is August 1, 2011.

Limitations

In performing this analysis, we have relied on data provided by Arkansas Mutual Insurance Company, supplemented with industry information in those instances where your Company's experience was deemed to not have sufficient credibility for ratemaking purposes. We have not audited or reviewed this data beyond normal checks for reasonability and consistency. Further review would be beyond the scope of this project. If the data provided to us is later found to be incorrect or incomplete, it could have a material impact on the results of our analysis.

Our review has employed generally accepted actuarial procedures. However, due to the inherent uncertainty accompanying financial projections of this type, it is likely that the actual results experienced by Arkansas Mutual will vary from our projections, perhaps materially. In particular, we have assumed that the legal, economic, regulatory and social environments currently in existence will remain unchanged throughout the entire period

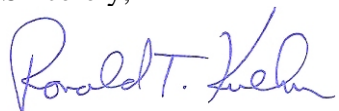
for which the proposed rates will be effective. Should significant changes in any of these environments occur, the results of our analysis would be affected.

Distribution

This report was prepared for the management of Arkansas Mutual Insurance Company. We also understand that a copy of this report will be provided to the Arkansas Insurance Department for their review. Any other distribution without the express written consent of Huggins Actuarial Services, Inc. is prohibited. In the event such distribution is allowed, the report must be provided in its entirety, and the recipient should be advised that we are available to respond to any questions they may have concerning our analysis and the conclusions we have drawn.

If you have any questions concerning this report, or if you require any additional information, please do not hesitate to call.

Sincerely,



Ronald T. Kuehn FCAS, MAAA, CPCU, ARM, FCA
Consulting Actuary
Enclosure

FILING MEMORANDUM

This memorandum contains an actuarial review of the base rates of Arkansas Mutual Insurance Company (“Arkansas Mutual” or “the Company”) for Claims-Made Medical Malpractice Insurance in the state of Arkansas using data through 12/31/10 and assuming an effective date of 8/1/11.

The summarized indication is as follows:

Overall Rate Level Claims Made

Indicated
Change

-12.5%

Determination of Statewide Rate Level Change

On Exhibit 1, we have summarized the results of ratemaking techniques on the Company’s claims made book of business and show an indicated overall rate level indication for this book of -12.5%.

Line 1 of this exhibit shows the current pure premium for the base class for the Company, as derived on Exhibit 5. On lines 2 and 3 we show the average Company class factor and the calculated off-balance to the class factors currently used by State Volunteer Mutual Insurance Company, which are the factors proposed for use by the Company. The average factor and the off-balance are calculated on Exhibit 5.

Line 4 shows the off-balance for claims made step factors, which is derived on Exhibit 4. Lines 5 and 6 show the loadings for Adjusting and Other loss adjustment expenses, and for the free tail for death, disability and retirement (DDR), each of which are a component of the rate. Line 7 shows the factor for recognition of investment income. This factor is derived on Exhibit 12, and is based on an assumed annual discount rate of 2.0%, provided by Company management. The payment pattern used to derive the discount factor was taken from the latest SVMIC rate filing, since the Company does not have sufficient loss experience from which to derive a payment pattern at the current time. As additional loss experience is collected, we will review the amount available and determine for future rate filings if there is sufficient Company experience to be able to rely solely on that experience without the use of industry information.

Lines 8 and 9 represent items shown in the SVMIC filing which are not applicable to the Company at the present time.

Line 10 shows the offset for discount programs currently provided to Company insureds. This factor was provided by Company management. On Line 11 we have shown the proposed loading for underwriting expenses.

Line 12 shows the indicated manual rate at limits of \$1 million per occurrence and \$3 million aggregate, based on the information above. Line 13 shows the actual current Company manual rate, and Line 14 divides the indicated rate by the current rate to determine the indicated change in rate level based on the Company's historical loss experience. However, this indication has very limited credibility due to the fact that the Company has only been in operation for two years and has experienced an extremely small number of reported claims. The credibility applied to the Company indication is derived on Exhibit 8 based on the developed claims shown on Exhibit 9 and is based on a full credibility standard of 10,616 reported claims over the entire experience period. This use of this standard will result in an indication that is within 2.5% of the actual mean value for claims 99% of the time. Accordingly, on line 16 we have calculated the proposed credibility weighted rate level indication based on changing the current rates to the approved SVMIC rates. The overall effect of this change is a decrease in rate level of 12.5%

On Exhibit 2, we have calculated the indicated rate changes by class assuming that the proposed rates are adopted. The distribution used to weight the changes by class was provided by Company management. It should be noted that while an increase of 15.9% is shown for Class 2F, the Company currently has no insureds in that class, thus no one will receive that increase.

Exhibit 3 shows the derivation of the indicated off-balance in class factors, based on the distribution of business provided by management. Exhibit 4 shows a corresponding calculation of the off-balance that results from the change in claims-made step factors.

On Exhibit 5 we have shown the indicated ultimate pure premium based on the results of two methodologies, an incurred development methodology, shown on Exhibit 6, and a frequency-severity methodology, derived on Exhibit 9. Based on the results of the two methods, we have selected a pure premium of \$877.54, which is carried to Exhibit 1 and used in the rate change calculation.

As noted above, Exhibit 6 shows the derivation of the indicated pure premium using an incurred development methodology. The loss and defense and cost containment (DCC) loss adjustment expense used in this calculation are developed to an ultimate basis on Exhibit 7 using development factors from the SVMIC filing, since there is not sufficient Company experience availability from which to generate ultimate development factors. Similarly, the trend factor applied to the ultimate loss and DCC was taken from the SVMIC filing.

Exhibit 8 derives the credibility to be applied to the Company indication using a standard square root formula.

Exhibit 9 derives the indicated trended ultimate pure premium based on the frequency-severity methodology. The loss and DCC used in the method are developed to an ultimate basis on Exhibit 9. Since the experience used in the filing is for claims made policies, the claim counts used to derive the severity are equal to those reported for each year as of the end of that year. The frequency component of the method is derived on Exhibit 11. On Exhibit 10 we have shown the development factors for losses, DCC and claims based on actual Company experience, although as discussed above these factors are not used in the filing due to their lack of credibility at the present time.

Finally, Exhibit 12 shows the derivation of the discount factor used in the rate level calculation. The payment pattern used in the calculation is taken from the latest SVMIC filing, and a 2.0% annual interest rate is used to discount the losses based on discussions with Company management.

August 26, 2011

Ms. Edith Roberts
Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201

**Arkansas Mutual Insurance Company
SERFF Transmittal Number HGAS-127342325
Medical Malpractice Rate Filing**

Dear Ms. Roberts:

The following are our responses to the objections you have raised in your e-mail of August 24, 2011, regarding the above filing:

1. Please reference Form PC RLC. The maximum rate increase is indicated at -12.9; however, page 4 of the filing under Company Rate Information indicates +15.9. Please explain.

While 15.9% is the largest increase for any individual class, our client currently has no insureds in that class. Thus, the largest increase (smallest decrease) that any current insured will receive is a decrease of 12.9%. Please note that due to our confusion as to the intent of this provision, we had discussed this issue with you prior to the submission of the form, and have followed your instructions as to the intent of the request.

2. Also on Form PC RLC, under Expense Constants, A. "Total Production Expense" is indicated at -139. Please explain how there is a negative production expense.

The amounts on Form PC RLC were developed by ratioing the Company's expense provisions from Exhibit 3 of their 2010 Annual Statement to the Company's written premium. The amount for commission and brokerage on that Exhibit is negative, which results in a corresponding negative provision for production expense.

3. Please refer to AR Code Anno 23-67-505 (a)(b)(c)(d). Your report states that you relied on loss data for State Volunteer Mutual along with Arkansas Mutual. I had talked with company representatives prior to filing, that this law requires a combination of competitor loss data, rather than relying on one specific company. Also, please advise with reference to Exhibits 1,2 and 3, are these exhibits based on Arkansas Mutual solely, or State Volunteer solely, or a combination.

We are unaware of any conversation between Company management and the Department concerning the use of competitor information. When we spoke with you prior to the preparation of the filing, you informed us that it was necessary to use competitor information as the complement of credibility in the filing. The number of companies required was not mentioned during the discussion. Since State Volunteer Mutual Insurance Company (SVMIC) has the largest market share of any carrier in the state and had recently had a rate filing approved, it seemed reasonable to use their experience as the supplement to that of the Company.

Further, the applicable portion of the state insurance regulations appears below:

23-67-505. Filing of rating information.

(a) Every malpractice insurer shall file with the Insurance Commissioner every manual of classifications, rules, and rates, every rating plan, and every modification of any manual classification, rule, or rate that it proposes to use in this state.

(b) The expense provisions included in the rates to be used by a malpractice insurer shall reflect its:

(1) Operating methods; and

(2) Actual and anticipated expense experience.

(c)(1) The rates to be used by a malpractice insurer shall contain provisions for contingencies and an allowance permitting a reasonable rate of return.

(2) In determining a reasonable rate of return, consideration shall be given to all investment income reasonably attributable to the insurer's malpractice insurance line of business.

(d) Every filing shall:

(1) State its proposed effective date;

(2) Indicate the character and extent of the coverage contemplated; and

(3) Contain supporting information which may include:

(A) The experience or judgment of the malpractice insurer making the filing;

(B) Its interpretation of any statistical data relied upon;

(C) The experience of other malpractice insurers; and

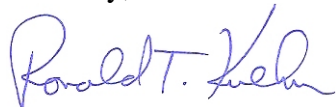
(D) Any other factors that the malpractice insurer deems relevant.

Please note that the highlighted word “shall” applies to Items (1) through (3), while the highlighted word “may” applies to the succeeding Items (A) through (D) (emphasis ours). Thus, based on our reading of the provision, the experience of another carrier is not specifically required. However, even if that experience is required, it is a stretch to assume that the word “insurers” implies that the experience of more than a single competitor is required. Rather, a more reasonable reading of that phrase suggest that “insurers” is meant to encompass the universe of possible choices for the selection of the complement of credibility, in other words, all carriers exclusive of the one submitting the filing, and the decision of which or how many of those insurers to include is left to the submitter.

With regard to the information on Exhibits 1 through 3, all information is from Arkansas Mutual except for Column (3) on Exhibit 2, which is labeled as containing current SVMIC rates, and indirectly Column (3) on Exhibit 3, which while consistent with the SVMIC rates that the Company wishes to adopt were derived from the Company’s proposed rate structure by class.

If you have any questions concerning this filing, please do not hesitate to respond to this letter.

Sincerely,



Ronald T. Kuehn, FCAS, MAAA, CPCU ARM, FCA
Consulting Actuary

CC: M. Corey Little, Arkansas Mutual
Lars Powell, Arkansas Mutual
Trey Tyler, Arkansas Mutual

October 3, 2011

Ms. Edith Roberts
Arkansas Department of Insurance
1200 West Third Street
Little Rock, AR 72201

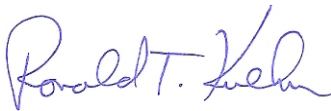
**Arkansas Mutual Insurance Company
Proposed Rate Change – Physicians and Surgeons
Impact Statement – Act 649**

Dear Ms. Roberts:

The Arkansas Insurance Department requires insurers to incorporate into their rate filings the provisions of the Civil Justice Reform Act of 2003 (Act 649) which became effective on March 25, 2003. In this rate filing, Arkansas Mutual has considered the impact of this Act, including the modification of the joint and several liability clause (which primarily affects hospital programs), limitations on the amount of punitive damages (punitive damages are uncommon in physician cases), burden of proof by means of expert testimony by a medical care provider of the same specialty as the defendant, and the periodic payments for awards for future damages exceeding \$100,000.

This Act applies to all causes of actions accruing on or after the effective date. Based on the current circumstances and their current available credible data, the impact of this Act on Arkansas Mutual's rate level is not quantifiable at this time. However, Arkansas Mutual has judgmentally considered the potential impact of the Act in projecting the cost for the future year. Arkansas Mutual will continue to monitor the impact as new information becomes available.

Sincerely,



Ronald T. Kuehn FCAS, MAAA, CPCU, ARM, FCA
Consulting Actuary

Enclosure

SERFF Tracking Number: HGAS-127342325 State: Arkansas

Filing Company: Arkansas Mutual Insurance Company State Tracking Number:

Company Tracking Number: MEDMAL-001

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0023 Physicians & Surgeons
Made/Occurrence

Product Name: Product Coding Matrix Line of Business

Project Name/Number: Physicians & Surgeons Rate Filing/ARMIC - 01 - RF

Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

| Creation Date: | Schedule | Schedule Item Name | Replacement Creation Date | Attached Document(s) |
|----------------|------------|---|------------------------------|--|
| 07/27/2011 | Supporting | Form MMPCS Document | 09/12/2011 | MM Survey FORM MMPCS.pdf (Superseded) |
| 07/27/2011 | Supporting | NAIC loss cost data entry document Document | 09/12/2011 | FORM RF-1 Rate Filing Abstract-1.pdf (Superseded) |
| 07/28/2011 | Supporting | Rate Data and Actuarial Support Document | 09/12/2011 | Proposed Arkansas Mutual Rates August-1-2011.pdf (Superseded) Rate Data & Actuarial Support.pdf (Superseded) |
| 07/28/2011 | Supporting | Filing Memorandum Document | 09/12/2011 | Filing Memorandum.pdf (Superseded) |

Malpractice Premium Comparison Survey Form
FORM MMPCS - last modified August, 2005

USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK

NAIC Number:
 Company Name:
 Contact Person:
 Telephone No.:
 Email Address:
 Effective Date:

Submit to: *Arkansas Insurance Department*
1200 West Third Street
Little Rock, AR 72201-1904
 Telephone: *501-371-2800*
Email as an attachment to insurance.pnc@arkansas.gov
You may also attach to a SERFF filing or submit on a cdr disk

Physicians

| Base Rate | Hospital | Clinic | Private |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| At 500,000/1,000,000 | \$ <input type="text" value="6,637"/> | \$ <input type="text" value="6,637"/> | \$ <input type="text" value="6,637"/> |
| Discounts and Surcharges | | | |
| Emergency Room | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Surgery | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Delivery | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Claims Free | <input type="text" value="25"/> % | <input type="text" value="25"/> % | <input type="text" value="25"/> % |
| Over 5 years Experience | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Other: <input type="text" value="Risk Management"/> | <input type="text" value="25"/> % | <input type="text" value="25"/> % | <input type="text" value="25"/> % |

Dental

| Base Rate | Dentist | Orthodontist | Oral Surgeons |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| At 100,000/300,000 | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> |
| Discounts and Surcharges | | | |
| Claims Free | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| 5 years Experience | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Surgery | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |
| Other: <input type="text"/> | <input type="text"/> % | <input type="text"/> % | <input type="text"/> % |

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | |
|----|--|--|
| 1. | This filing transmittal is part of Company Tracking # MedMal-001 | |
|----|--|--|

| | | |
|----|---|---|
| 2. | If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number | Not Applicable, this is not a Loss Cost Filing |
|----|---|---|

| | | | |
|----|--------------|--|---------------------|
| | Company Name | | Company NAIC Number |
| 3. | A. | Arkansas Mutual Insurance Company | B. 13565 |

| | | | |
|----|--|--|---|
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | 11.0 Medical Malpractice-Claims Made/Occurrence | B. 11.0023 Physicians and Surgeons |

5.

| (A) COVERAGE (See Instructions) | (B) Indicated % Rate Level Change | (C) Requested % Rate Level Change | FOR LOSS COSTS ONLY | | | | |
|---------------------------------------|--|--|-------------------------------|--|--|---|---|
| | | | (D) Expected Loss Ratio | (E) Loss Cost Modification Factor | (F) Selected Loss Cost Multiplier | (G) Expense Constant (If Applicable) | (H) Co. Current Loss Cost Multiplier |
| Physicians and Surgeons | -12.5% | -12.5% | n/a | n/a | n/a | n/a | n/a |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL OVERALL EFFECT | | 12.5% | | | | | |

6.

5 Year History

Rate Change History

| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
|-------------|--------------|-------------|----------------|----------------------------|-----------------------|------------------|------------------------|
| 2009 | 89 | 0 | n/a | -120,338 | 2,251 | -1.9% | -1.9% |
| 2010 | 151 | 0 | n/a | 306,779 | 22,500 | 7.3% | 7.3% |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

7.

| Expense Constants | Selected Provisions |
|--|---------------------|
| A. Total Production Expense | -139 |
| B. General Expense | 4,679 |
| C. Taxes, License & Fees | 186 |
| D. Underwriting Profit & Contingencies | 1,447 |
| E. Other (explain) | 0 |
| F. TOTAL | 6,173 |

8. N Apply Lost Cost Factors to Future filings? (Y or N)

9. -12.9 Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____ n/a _____

10. -12.7 Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____ n/a _____

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates First Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 1,843 | 2,258 | 2,527 | 2,610 | 2,714 |
| 1B | 2,063 | 2,527 | 2,829 | 2,922 | 3,038 |
| 1C | 2,502 | 3,065 | 3,431 | 3,543 | 3,684 |
| 1D | 2,757 | 3,377 | 3,781 | 3,905 | 4,060 |
| 1E | 3,498 | 4,285 | 4,797 | 4,954 | 5,151 |
| 1F | 3,671 | 4,497 | 5,034 | 5,199 | 5,406 |
| 1G | 3,087 | 3,782 | 4,233 | 4,372 | 4,546 |
| 1H | 4,045 | 4,955 | 5,547 | 5,729 | 5,956 |
| 1J | 4,504 | 5,517 | 6,176 | 6,379 | 6,632 |
| 1K | 4,530 | 5,549 | 6,212 | 6,416 | 6,670 |
| 1L | 4,861 | 5,955 | 6,666 | 6,884 | 7,158 |
| 1M | 2,063 | 2,527 | 2,829 | 2,922 | 3,038 |
| 2A | 4,530 | 5,549 | 6,212 | 6,416 | 6,670 |
| 2B | 5,588 | 6,845 | 7,663 | 7,914 | 8,228 |
| 2C | 5,904 | 7,232 | 8,096 | 8,362 | 8,694 |
| 2D | 6,016 | 7,370 | 8,249 | 8,520 | 8,859 |
| 2E | 6,948 | 8,511 | 9,527 | 9,840 | 10,231 |
| 2F | 6,016 | 7,370 | 8,249 | 8,520 | 8,859 |
| 3A | 7,714 | 9,720 | 11,023 | 11,424 | 11,926 |
| 3B | 8,307 | 10,467 | 11,871 | 12,303 | 12,843 |
| 3C | 8,685 | 10,943 | 12,411 | 12,862 | 13,427 |
| 3D | 7,714 | 9,720 | 11,023 | 11,424 | 11,926 |
| 4A | 12,681 | 15,978 | 18,121 | 18,781 | 19,605 |
| 4B | 9,219 | 11,616 | 13,174 | 13,653 | 14,253 |
| 4C | 11,330 | 14,276 | 16,191 | 16,780 | 17,516 |
| 5A | 12,681 | 15,978 | 18,121 | 18,781 | 19,605 |
| 6A | 15,648 | 19,716 | 22,361 | 23,175 | 24,192 |
| 7A | 16,844 | 21,223 | 24,070 | 24,946 | 26,041 |

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Second Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 3,643 | 4,463 | 4,995 | 5,159 | 5,364 |
| 1B | 4,078 | 4,996 | 5,592 | 5,775 | 6,005 |
| 1C | 4,947 | 6,060 | 6,784 | 7,006 | 7,284 |
| 1D | 5,451 | 6,677 | 7,475 | 7,720 | 8,027 |
| 1E | 6,914 | 8,470 | 9,481 | 9,792 | 10,181 |
| 1F | 7,257 | 8,890 | 9,951 | 10,278 | 10,686 |
| 1G | 6,103 | 7,476 | 8,369 | 8,643 | 8,987 |
| 1H | 7,996 | 9,795 | 10,965 | 11,324 | 11,774 |
| 1J | 8,903 | 10,906 | 12,208 | 12,609 | 13,110 |
| 1K | 8,954 | 10,969 | 12,278 | 12,681 | 13,185 |
| 1L | 9,608 | 11,770 | 13,175 | 13,607 | 14,148 |
| 1M | 4,078 | 4,996 | 5,592 | 5,775 | 6,005 |
| 2A | 8,954 | 10,969 | 12,278 | 12,681 | 13,185 |
| 2B | 11,046 | 13,531 | 15,147 | 15,644 | 16,265 |
| 2C | 11,670 | 14,296 | 16,002 | 16,528 | 17,184 |
| 2D | 11,891 | 14,566 | 16,306 | 16,841 | 17,509 |
| 2E | 13,734 | 16,824 | 18,833 | 19,451 | 20,223 |
| 2F | 11,891 | 14,566 | 16,306 | 16,841 | 17,509 |
| 3A | 15,248 | 19,212 | 21,789 | 22,582 | 23,573 |
| 3B | 16,421 | 20,690 | 23,466 | 24,320 | 25,387 |
| 3C | 17,168 | 21,632 | 24,533 | 25,426 | 26,542 |
| 3D | 15,248 | 19,212 | 21,789 | 22,582 | 23,573 |
| 4A | 25,066 | 31,583 | 35,819 | 37,123 | 38,752 |
| 4B | 18,224 | 22,962 | 26,042 | 26,990 | 28,174 |
| 4C | 22,397 | 28,220 | 32,005 | 33,170 | 34,626 |
| 5A | 25,066 | 31,583 | 35,819 | 37,123 | 38,752 |
| 6A | 30,933 | 38,976 | 44,203 | 45,812 | 47,822 |
| 7A | 33,296 | 41,953 | 47,580 | 49,311 | 51,476 |

**Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Third Year**

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,007 | 4,909 | 5,495 | 5,675 | 5,900 |
| 1B | 4,486 | 5,495 | 6,151 | 6,353 | 6,606 |
| 1C | 5,441 | 6,665 | 7,461 | 7,706 | 8,012 |
| 1D | 5,996 | 7,345 | 8,222 | 8,492 | 8,829 |
| 1E | 7,605 | 9,316 | 10,428 | 10,771 | 11,198 |
| 1F | 7,983 | 9,779 | 10,947 | 11,306 | 11,755 |
| 1G | 6,713 | 8,223 | 9,205 | 9,507 | 9,885 |
| 1H | 8,795 | 10,774 | 12,060 | 12,456 | 12,951 |
| 1J | 9,793 | 11,996 | 13,429 | 13,869 | 14,420 |
| 1K | 9,850 | 12,066 | 13,507 | 13,950 | 14,504 |
| 1L | 10,569 | 12,947 | 14,493 | 14,968 | 15,563 |
| 1M | 4,486 | 5,495 | 6,151 | 6,353 | 6,606 |
| 2A | 9,850 | 12,066 | 13,507 | 13,950 | 14,504 |
| 2B | 12,150 | 14,884 | 16,661 | 17,207 | 17,891 |
| 2C | 12,837 | 15,725 | 17,603 | 18,180 | 18,902 |
| 2D | 13,080 | 16,023 | 17,936 | 18,525 | 19,260 |
| 2E | 15,107 | 18,506 | 20,715 | 21,395 | 22,245 |
| 2F | 13,080 | 16,023 | 17,936 | 18,525 | 19,260 |
| 3A | 16,773 | 21,134 | 23,969 | 24,841 | 25,931 |
| 3B | 18,063 | 22,759 | 25,812 | 26,751 | 27,925 |
| 3C | 18,885 | 23,795 | 26,987 | 27,969 | 29,196 |
| 3D | 16,773 | 21,134 | 23,969 | 24,841 | 25,931 |
| 4A | 27,573 | 34,742 | 39,402 | 40,836 | 42,628 |
| 4B | 20,047 | 25,259 | 28,647 | 29,690 | 30,993 |
| 4C | 24,637 | 31,043 | 35,206 | 36,487 | 38,089 |
| 5A | 27,573 | 34,742 | 39,402 | 40,836 | 42,628 |
| 6A | 34,026 | 42,873 | 48,623 | 50,393 | 52,604 |
| 7A | 36,625 | 46,148 | 52,337 | 54,242 | 56,622 |

**Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Forth Year**

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,157 | 5,092 | 5,700 | 5,887 | 6,121 |
| 1B | 4,654 | 5,701 | 6,382 | 6,591 | 6,853 |
| 1C | 5,645 | 6,915 | 7,741 | 7,995 | 8,312 |
| 1D | 6,220 | 7,620 | 8,529 | 8,809 | 9,159 |
| 1E | 7,890 | 9,665 | 10,819 | 11,174 | 11,618 |
| 1F | 8,282 | 10,145 | 11,357 | 11,729 | 12,195 |
| 1G | 6,965 | 8,532 | 9,551 | 9,864 | 10,256 |
| 1H | 9,125 | 11,178 | 12,513 | 12,923 | 13,437 |
| 1J | 10,160 | 12,446 | 13,932 | 14,389 | 14,961 |
| 1K | 10,219 | 12,518 | 14,013 | 14,473 | 15,047 |
| 1L | 10,965 | 13,432 | 15,036 | 15,529 | 16,146 |
| 1M | 4,654 | 5,701 | 6,382 | 6,591 | 6,853 |
| 2A | 10,219 | 12,518 | 14,013 | 14,473 | 15,047 |
| 2B | 12,605 | 15,441 | 17,285 | 17,852 | 18,561 |
| 2C | 13,318 | 16,315 | 18,262 | 18,862 | 19,611 |
| 2D | 13,570 | 16,623 | 18,608 | 19,219 | 19,982 |
| 2E | 15,673 | 19,199 | 21,492 | 22,197 | 23,078 |
| 2F | 13,570 | 16,623 | 18,608 | 19,219 | 19,982 |
| 3A | 17,401 | 21,925 | 24,866 | 25,771 | 26,902 |
| 3B | 18,740 | 23,612 | 26,779 | 27,754 | 28,972 |
| 3C | 19,592 | 24,686 | 27,997 | 29,016 | 30,289 |
| 3D | 17,401 | 21,925 | 24,866 | 25,771 | 26,902 |
| 4A | 28,605 | 36,042 | 40,877 | 42,364 | 44,223 |
| 4B | 20,797 | 26,204 | 29,719 | 30,800 | 32,152 |
| 4C | 25,559 | 32,204 | 36,524 | 37,853 | 39,514 |
| 5A | 28,605 | 36,042 | 40,877 | 42,364 | 44,223 |
| 6A | 35,300 | 44,478 | 50,444 | 52,279 | 54,574 |
| 7A | 37,996 | 47,875 | 54,296 | 56,272 | 58,742 |

Arkansas Mutual Insurance Company
Arkansas Physicians and Surgeons Rates
Claims-Made Rates Fifth Year

| APM Class | Limits | | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>\$1M/\$3M</u> | <u>\$2M/\$4M</u> | <u>\$3M/\$5M</u> | <u>\$4M/\$6M</u> | <u>\$5M/\$7M</u> |
| 1A | 4,285 | 5,249 | 5,876 | 6,069 | 6,310 |
| 1B | 4,798 | 5,878 | 6,579 | 6,795 | 7,065 |
| 1C | 5,820 | 7,130 | 7,981 | 8,243 | 8,570 |
| 1D | 6,413 | 7,856 | 8,794 | 9,082 | 9,443 |
| 1E | 8,134 | 9,964 | 11,154 | 11,520 | 11,977 |
| 1F | 8,538 | 10,459 | 11,708 | 12,092 | 12,572 |
| 1G | 7,180 | 8,796 | 9,846 | 10,169 | 10,573 |
| 1H | 9,407 | 11,524 | 12,899 | 13,323 | 13,852 |
| 1J | 10,474 | 12,831 | 14,362 | 14,834 | 15,423 |
| 1K | 10,535 | 12,905 | 14,446 | 14,920 | 15,513 |
| 1L | 11,304 | 13,847 | 15,501 | 16,009 | 16,645 |
| 1M | 4,798 | 5,878 | 6,579 | 6,795 | 7,065 |
| 2A | 10,535 | 12,905 | 14,446 | 14,920 | 15,513 |
| 2B | 12,995 | 15,919 | 17,819 | 18,404 | 19,135 |
| 2C | 13,729 | 16,818 | 18,826 | 19,444 | 20,216 |
| 2D | 13,990 | 17,138 | 19,184 | 19,813 | 20,600 |
| 2E | 16,158 | 19,794 | 22,157 | 22,884 | 23,793 |
| 2F | 13,990 | 17,138 | 19,184 | 19,813 | 20,600 |
| 3A | 17,939 | 22,603 | 25,635 | 26,568 | 27,734 |
| 3B | 19,319 | 24,342 | 27,607 | 28,611 | 29,867 |
| 3C | 20,198 | 25,449 | 28,863 | 29,913 | 31,226 |
| 3D | 17,939 | 22,603 | 25,635 | 26,568 | 27,734 |
| 4A | 29,490 | 37,157 | 42,141 | 43,675 | 45,592 |
| 4B | 21,441 | 27,016 | 30,639 | 31,754 | 33,148 |
| 4C | 26,349 | 33,200 | 37,653 | 39,023 | 40,736 |
| 5A | 29,490 | 37,157 | 42,141 | 43,675 | 45,592 |
| 6A | 36,392 | 45,854 | 52,004 | 53,897 | 56,262 |
| 7A | 39,171 | 49,355 | 55,975 | 58,012 | 60,558 |

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Indicated Rate Change

| | |
|---|-------------|
| (1) Class 1C \$1 Million Limits Pure Premium | \$877.35 |
| (2) Average Class Factor | 2.022 |
| (3) Off-Balance for Class Factor | 1.016 |
| (4) Off-Balance for Claims Made Step Factors | 1.000 |
| (5) ULAE Loading | 3.0% |
| (6) DDR Loading | 4.1% |
| (7) Discount Factor | 1.000 |
| (8) Total Budgeted Expense | 0 |
| (9) Factor to Reflect Premium Payment Plan | 1.000 |
| (10) Offset for Discount Programs | 0.650 |
| (11) Loading for Premium Tax, FIT, Commission, Surplus Growth | 0.850 |
| (12) Indicated Average Manual \$1 Million Rate | \$2,525.98 |
| (13) Current Average Manual \$1 Million Rate | \$13,247.19 |
| (14) Indicated Rate Change | -80.9% |
| (15) Credibility of Company Experience (Full Credibility = 10,616 Claims) | 2.7% |
| (16) Indicated Change Based on Use of SVMIC Rates | -12.5% |
| (17) Credibility Weighted Rate Change | -12.5% |

Notes:

- (1) From Exhibit 5
- (2) From Exhibit 3
- (3) From Exhibit 3
- (4) From Exhibit 4
- (5) Based on data provided by Company
- (6) Based on data provided by Company
- (7) Company does not discount reserves
- (8) All underwriting expenses are a function of premium
- (9) Company offers an installment payment plan but does not impose any charge for participation
- (10) based on data provided by Company
- (11) Based on loss and LAE ratio prescribed by Department
- (12) $\{ [(1) \times (2) \times (3) \times (4) \times (1.0 + (5)) \times (1.0 + (6)) \times (7) + (8)] \times (9) \} / [(10) \times (11)]$
- (13) From Exhibit 2
- (14) $[(12) / (13)]$
- (15) Square root of (number of claims from Exhibit X divided by full credibility standard)
- (16) From Exhibit 2
- (17) $\{ [(14) \times (15)] + [(100 - (15)) \times (16)] \} / 100$

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Average Current \$1 Million Rate

| <u>Class</u> | (1) Base Class Equivalent <u>Distribution</u> | (2) Current \$1 Million <u>Rate</u> | (3) Current SVMIC \$1 Million <u>Rate</u> | (4) Indicated <u>Change</u> |
|--------------|--|--|--|-----------------------------------|
| 1A | 0.000 | 4,869 | 4,285 | -12.0% |
| 1B | 0.150 | 5,460 | 4,798 | -12.1% |
| 1C | 0.109 | 6,637 | 5,820 | -12.3% |
| 1D | 0.238 | 7,321 | 6,413 | -12.4% |
| 1E | 0.010 | 9,305 | 8,134 | -12.6% |
| 1F | 0.038 | 9,769 | 8,538 | -12.6% |
| 1G | 0.053 | 8,205 | 7,180 | -12.5% |
| 1H | 0.048 | 10,771 | 9,407 | -12.7% |
| 1J | 0.001 | 12,000 | 10,474 | -12.7% |
| 1K | 0.054 | 12,070 | 10,535 | -12.7% |
| 1L | 0.018 | 12,951 | 11,304 | -12.7% |
| 1M | 0.003 | 5,460 | 4,798 | -12.1% |
| 2A | 0.030 | 12,070 | 10,535 | -12.7% |
| 2B | 0.000 | 14,891 | 12,995 | -12.7% |
| 2C | 0.007 | 15,730 | 13,729 | -12.7% |
| 2D | 0.016 | 15,985 | 13,990 | -12.5% |
| 2E | 0.031 | 18,466 | 16,158 | -12.5% |
| 2F | 0.000 | 12,070 | 13,990 | 15.9% |
| 3A | 0.000 | 20,551 | 17,939 | -12.7% |
| 3B | 0.044 | 22,084 | 19,319 | -12.5% |
| 3C | 0.000 | 23,138 | 20,198 | -12.7% |
| 3D | 0.026 | 20,551 | 17,939 | -12.7% |
| 4A | 0.000 | 33,786 | 29,490 | -12.7% |
| 4B | 0.036 | 24,519 | 21,441 | -12.6% |
| 4C | 0.000 | 30,146 | 26,349 | -12.6% |
| 5A | 0.000 | 33,786 | 29,490 | -12.7% |
| 6A | 0.000 | 41,654 | 36,392 | -12.6% |
| 7A | 0.088 | 44,823 | 39,171 | -12.6% |
| Total | 1.000 | 13,247.193 | | -12.5% |

Notes:

(1) Based on distribution of 2010 Company exposures by class

(2) Provided by Company

(3) Based on current approved rates of State Volunteer Mutual Insurance Company

(4) [(3) / (2)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Average Class Factor

| <u>Class</u> | (1) Base Class Equivalent Distribution | (2) Current Class Factors | (3) Proposed Class Factors |
|---------------------------|---|------------------------------------|-------------------------------------|
| 1A | 0.000 | 0.723 | 0.737 |
| 1B | 0.150 | 0.815 | 0.825 |
| 1C | 0.109 | 1.000 | 1.000 |
| 1D | 0.238 | 1.107 | 1.102 |
| 1E | 0.010 | 1.418 | 1.398 |
| 1F | 0.038 | 1.491 | 1.467 |
| 1G | 0.053 | 1.246 | 1.234 |
| 1H | 0.048 | 1.648 | 1.617 |
| 1J | 0.001 | 1.840 | 1.800 |
| 1K | 0.054 | 1.851 | 1.811 |
| 1L | 0.018 | 1.987 | 1.943 |
| 1M | 0.003 | 0.815 | 0.825 |
| 2A | 0.030 | 1.851 | 1.811 |
| 2B | 0.000 | 2.285 | 2.233 |
| 2C | 0.007 | 2.415 | 2.360 |
| 2D | 0.016 | 2.455 | 2.404 |
| 2E | 0.031 | 2.835 | 2.777 |
| 2F | 0.000 | 1.851 | 2.404 |
| 3A | 0.000 | 3.154 | 3.083 |
| 3B | 0.044 | 3.390 | 3.320 |
| 3C | 0.000 | 3.551 | 3.471 |
| 3D | 0.026 | 3.154 | 3.083 |
| 4A | 0.000 | 5.186 | 5.068 |
| 4B | 0.036 | 3.764 | 3.685 |
| 4C | 0.000 | 4.627 | 4.528 |
| 5A | 0.000 | 5.186 | 5.068 |
| 6A | 0.000 | 6.394 | 6.254 |
| 7A | 0.088 | 6.881 | 6.732 |
| Total | 1.000 | 2.022 | 1.991 |
| (4) Indicated Off Balance | 1.016 | | |
| (5) Selected Off- Balance | 1.016 | | |

Notes:

- (1) Based on distribution of 2010 Company exposures by class
- (2) Provided by Company
- (3) Provided by Company
- (4) Total (2) / Total (3)
- (5) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
Derivation of Claims Made Step Factor Off-Balance

| Year of Claims Made <u>Coverage</u> | (1) Base Class Equivalent <u>Distribution</u> | (2) Current Step <u>Factors</u> | (3) Proposed Step <u>Factors</u> |
|---|--|--|---|
| 1 | 0.041 | 0.417 | 0.430 |
| 2 | 0.076 | 0.846 | 0.850 |
| 3 | 0.046 | 0.935 | 0.935 |
| 4 | 0.033 | 0.967 | 0.970 |
| 5+ | 0.803 | 1.000 | 1.000 |
| Total | 1.000 | 0.960 | 0.961 |
| (4) Indicated Off-Balance | 0.999 | | |
| (5) Selected Off-Balance | 1.000 | | |

Notes:

- (1) Based on distribution of 2010 Company exposures by claims made year
- (2) Provided by Company
- (3) Provided by Company
- (4) Total (2) / Total (3)
- (5) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
(in dollars)

Indicated Pure Premium:

| | |
|---------------------------|------------|
| Developed Incurred Method | \$1,019.15 |
| Frequency-Severity Method | \$735.56 |
| Selected | \$877.35 |

Notes:

- (1) From Exhibit 6
- (2) From Exhibit 8
- (3) Selected

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Based on Data as of December 31, 2010
(in \$000s - Except Pure Premiums)

| Report Year | (1) Ultimate Incd. Loss and DCC | (2) Earned Base Class Equivalents | (3) Pure Premium | (4) Trend Factor | (5) Trended Pure Premium |
|----------------|--|--|------------------------|------------------------|-----------------------------------|
| 2009 | 3.915 | 47.125 | 83.076 | 0.940 | 78.063 |
| 2010 | 120.680 | 122.956 | 981.489 | 0.959 | 941.084 |
| Total | 124.595 | 170.081 | 732.561 | | 1019.147 |

Notes:

(1) From Exhibit 7

(2) Based on data provided by Company

(3) [(1) x 1000 / (2)]

(4) Based on an annual trend rate of -2.0% (from SCMIC filing)
and an assumed effective date of 8/1/11

(5) [(3) x (4)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Incurred Development Method
Based on Data as of December 31, 2010
(in \$000s)

| Report Year | (1) Case Incurred <u>Loss</u> | (2) Case Incurred <u>DCC</u> | (3) Total Incd. Loss and DCC | (4) Ultimate Development <u>Factor</u> | (5) Ultimate Incd. Loss and DCC |
|----------------|--|---------------------------------------|---------------------------------------|---|--|
| 2009 | 3 | 2 | 5 | 0.783 | 3.915 |
| 2010 | 22 | 48 | 70 | 1.724 | 120.680 |
| Total | 25 | 50 | 75 | | 124.595 |

Notes:

(1) From Company Annual Statement as of December 31, 2010

(2) From Company Annual Statement as of December 31, 2010

(3) [(1) + (2)]

(4) From 2011 State Volunteer Mutual Insurance Company filing - Exhibit 7, Sheet 2

(5) [(3) x (4)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Frequency-Severity Method
Based on Data as of December 31, 2010
(in \$000s - Except Severities and Pure Premiums)

| Report Year | (1) Case Incurred Loss | (2) Case Incurred DCC | (3) Total Incd. Loss and DCC | (4) Ultimate Development Factor | (1) Ultimate Incd. Loss and DCC | (2) Ultimate Reported Claims | (3) Untrended Average Severity | (4) Trend Factor | (5) Trended Average Severity |
|----------------|---------------------------------|--------------------------------|---------------------------------------|--|--|---------------------------------------|---|------------------------|---------------------------------------|
| 2009 | 3 | 2 | 5 | 0.783 | 3.915 | 2 | 1,958 | 1.025 | 2,006 |
| 2010 | 22 | 48 | 70 | 1.724 | 120.680 | 6 | 20,113 | 1.017 | 20,450 |
| Total | 25 | 50 | 75 | | 124.595 | 8 | | | |
| Selected | | | | | | | | | 15,800 |
| Frequency | | | | | | | | | 4.655 |
| Pure Premium | | | | | | | | | 735.557 |

Notes:

- (1) From Company Annual Statement as of December 31, 2010
- (2) From Company Annual Statement as of December 31, 2010
- (3) [(1) + (2)]
- (4) From 2011 State Volunteer Mutual Insurance Company filing - Exhibit 7, Sheet 2
- (5) [(3) x (4)]
- (6) Based on an annual trend rate of +0.8% (from SCMIC filing) and an assumed effective date of 8/1/11
- (7) [(5) x (6)]

ARKANSAS MUTUAL INSURANCE COMPANY
Development of Indicated Ultimate Trended Incurred Loss and Loss Adjustment Expense
Medical Professional Liability Insurance - Claims Made
Development of Paid Claim Frequency
Based on Data as of December 31, 2010
(Frequency per 100 Base Class Equivalents)

| Report <u>Year</u> | (1) Ultimate Reported <u>Claims</u> | (2) Earned Base Class <u>Equivalents</u> | (3) Ultimate Reported <u>Frequency</u> | (4) Trend <u>Factor</u> | (5) Trended Average <u>Frequency</u> |
|-----------------------|--|---|---|-------------------------------|---|
| 2009 | 2 | 47.125 | 4.244 | 1.025 | 4.349 |
| 2010 | 6 | 122.956 | 4.880 | 1.017 | 4.961 |
| Total | 8 | 170.081 | | | 4.655 |

Notes:

(1) From Exhibit 8

(2) From Exhibit 6

(3) { (1) / [(2) / 100] }

(4) Based on an annual trend rate of +0.8% (from SCMIC filing) and an assumed effective date of 8/15/11

(5) [(3) x (4)] . All year value selected based on individual year results.

July 28, 2011

Ms. Edith Roberts
Arkansas Department of Insurance
1200 West Third Street
Little Rock, AR 72201

Arkansas Mutual Insurance Company
Proposed Rate Change – Physicians and Surgeons

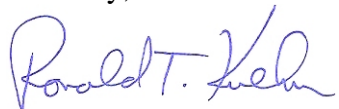
Dear Ms. Roberts:

At the request of my client, Arkansas Mutual Insurance Company (“the Company”), I am submitting to you the enclosed actuarial memorandum that we prepared for them, which describes a revision to their physician and surgeon rates of -12.5%, with a proposed effective date of August 1, 2011. This change is based on a credibility weighted indication that uses the Company’s limited loss experience along with the experience contained in the latest approved filing of State Volunteer Mutual Insurance Company (SVMIC).

An exhibit showing the proposed new rates has been included as an attachment to this filing.

Please don't hesitate to call if you have any questions concerning this filing.

Sincerely,



Ronald T. Kuehn, FCAS, MAAA, CPCU ARM, FCA
Consulting Actuary

Enclosure